African Bank Limited press release 4

June 2019

When you're thinking of investing your savings into a new business venture: Beware these 6 pitfalls

You may have landed an unexpected windfall through an inheritance or even a lucky lotto ticket or maybe, you are simply a good saver and now have a sizeable nest egg.

The money is burning a hole in your pocket as you struggle to make the best possible decision about what to do with it. Then, a friend talks you into a new business venture – opening that pretty beauty salon you have always dreamed of or turning your guest room into Airbnb accommodation.

Enticing, isn't it? But will it be a smart investment?

According to bizmag.co.za, although statistics vary, on average about 50% of all start-up businesses in South Africa fail within 24 months due to the inability and inexperience of their owners.

Neil Thompson, head of product and customer value proposition at African Bank, says many business owners can attest to the fact that when they started their businesses they nearly lost their life savings.

"When someone starts a business it's about striving for better," says Thompson.

"Everyone wants that for themselves and for their families, but a lot hinges on finances – making better and smarter financial decisions are key to the success of your new business and the safeguarding of the investment of money you are putting into it.

"All the money in the world will not save your company from ruin should you not be managing your finances properly."

6 pitfalls to be aware of when putting your life savings into a new business:

1. Budgeting with blinkers on – There is no room for guesstimation when you are drawing up a budget for business and personal expenses. You have to be realistic as your personal living expenses will also be high; you cannot survive on a bare-bones budget. Stick to your budget and adjust it as the month progresses.
2. Diversifying too soon – Wondering where to invest your profits? Why not in your own business? Too many business owners branch out and diversify with profit instead of retaining the cash in their own business. Stick to your knitting, focus on your core business and use your profit to help grow what you know.
3. Focusing in the wrong places – You should be prioritising revenue generation. Everything else (marketing material, signage, website) can wait. Focus on the things that will actually drive revenue. A positive cash flow puts you in the driving seat to make good decisions and in the good books with creditors, like the bank.
4. Flogging a dead horse - If something is not working, abandon the idea and move on. Continuing to flog a dead horse will drain your resources and set your business back. The sooner you make the right decisions and focus on what is working, the

better.

5. Ignoring the writing on the wall – As mentioned, many small start-ups don't make it. You may find yourself in the same boat and have to snap back into reality and get a job again. If this is what needs to be done then be humble enough to do it, regardless of what anyone else thinks of your "failed" venture.
6. Failing to explore the right investment opportunities - One bad investment can sink your business. If you don't know what to invest in, seek out sound financial advice. Look for the best interest rates too.

ENDS

Visit the African Bank website or like them on Facebook

PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI RORKE ON JACQUI@FINDLEYPR.CO.ZA OR (011) 463-6372 WITH ANY CONSUMER PR QUERIES.